

**Do governance practices impact performance, fees and the pay-performance link of CIOs? The case of Australian superannuation funds.**

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## **CERTIFICATE OF AUTHORSHIP/ORIGINALITY**

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## TABLE OF CONTENTS

CHAPTER 1 Introduction.....	1
CHAPTER 2 Do governance practices impact on performance and fees of Australian superannuation funds? .....	5
2.1 Introduction .....	5
2.2 Overview of the institutional setting of Australian superannuation funds.....	10
2.2.1 Compulsory superannuation .....	10
2.2.2 Types of Australian superannuation funds .....	11
2.2.3 The role of directors of Australian superannuation funds .....	13
2.2.4 The government reviews of Australian superannuation funds .....	15
2.2.4.1 The Super System Review (The Cooper Review) .....	15
2.2.4.2 The Financial System Inquiry (the Murray Inquiry).....	19
2.2.4.3 The Fraser Governance Review (the Fraser Review) .....	20
2.2.4.4 The Productivity Commission Inquiry.....	22
2.2.4.5 The Banking Royal Commission (the Hayne Royal Commission) .....	22
2.2.5 The economics of corporate governance .....	26
2.2.6 Governance practices in Australian superannuation funds.....	26
2.3 Literature review and theory development.....	28
2.3.1 Evidence from Australian superannuation funds.....	28
2.3.2 Evidence from publicly listed companies and overseas mutual funds .....	30
2.3.2.1 Board size and firm performance and fees .....	30
2.3.2.2 Board independence and firm performance and fees.....	31
2.3.2.3 Gender diversity and firm performance and fees.....	32
2.3.2.4 Director busyness and firm performance and fees.....	33
2.3.2.5 Directors' competence and firm performance and fees .....	34
2.3.2.6 Director tenure and firm performance and fees .....	34
2.3.3 Hypotheses development.....	35
2.4 Research design and sample selection .....	36
2.4.1 Regression model .....	36
2.4.2 Independent variables .....	37
2.4.2.1 Governance Index .....	37

2.4.2.2 Independent directors .....	38
2.4.2.3 Independent chairperson .....	39
2.4.2.4 Gender diversity .....	39
2.4.2.5 Director busyness .....	39
2.4.2.6 Director competence .....	40
2.4.2.7 Director tenure .....	41
2.4.2.8 Board size .....	41
2.4.3 Control variables .....	42
2.4.4 Sample selection .....	42
2.5 Results .....	43
2.5.1 Descriptive statistics .....	43
2.5.2 Correlation matrix .....	45
2.5.3 The association between the governance practices and performance of Australian superannuation funds ( <i>H1</i> ) .....	46
2.5.4 The association between the governance practices and fees of Australian superannuation funds ( <i>H2</i> ) .....	48
2.6 Additional tests .....	50
2.6.1 The effect of the implementation of the governance disclosure requirements .....	50
2.6.2 Alternate measures of performance and governance index .....	58
2.6.3 Alternate measures of fees and governance index .....	65
2.6.4 Estimating regression Model (1) with the proportion of asset allocations .....	74
2.6.5 Estimating regression Model (2) with the proportion of asset allocations .....	76
2.6.6 Trustee-level regression .....	77
2.6.7 Endogeneity .....	77
2.7 Conclusion .....	79
CHAPTER 2 TABLES AND FIGURES .....	82
APPENDICES .....	91
CHAPTER 3 Do governance practices strengthen the pay-performance relationship of CIO? ..	179
3.1 Introduction .....	179
3.2 Literature review and theory development .....	186
3.2.1 Overview .....	186

3.2.2 CIO compensation and fund performance.....	187
3.2.3 CIO compensation, board structure and governance.....	189
3.2.4 CIO compensation and investment outsourcing responsibilities.....	190
3.3 Research design and sample selection .....	191
3.3.1 Regression model .....	191
3.3.2 Independent variables .....	192
3.3.2.1 Fund performance .....	192
3.3.2.2 Governance practices .....	192
3.3.2.3 Investment outsourcing behaviour .....	193
3.3.3 Control variables.....	194
3.3.4 Sample selection .....	195
3.4 Results .....	195
3.4.1 Descriptive statistics .....	195
3.4.2 Correlation matrix.....	198
3.4.3 Main results .....	199
3.5 Additional tests.....	205
3.5.1 Alternative measures of performance .....	205
3.5.2 Alternative measures of the governance index.....	211
3.5.3 Asset allocations .....	212
3.5.4 CIO turnover.....	213
3.6 Conclusion.....	214
CHAPTER 3 TABLES .....	216
APPENDICES .....	231
CHAPTER 4 - Conclusion.....	320
REFERENCES .....	323

## LIST OF FIGURES AND TABLES

CHAPTER 2 TABLES AND FIGURES .....	82
Table 1: Definition of variables .....	82
Table 2: Sample selection .....	83
Table 3 Panel A: Descriptive statistics .....	84
Table 3 Panel B: Descriptive statistics between retail and industry superannuation funds .....	85
Table 4: Correlation coefficients matrix of the variables .....	86
Table 5 Panel A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>retail</i> funds.....	87
Table 5 Panel B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>industry</i> funds.....	88
Table 6 Panel A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds .....	89
Table 6 Panel B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds.....	90
APPENDICES .....	91
Appendix A1.1 Before and after the governance disclosure requirements introduced in 2014 ...	91
Table A1.1.1A: Descriptive statistics of <i>retail</i> funds for two sub-periods, 2010–2014 and 2015–2016.....	91
Table A1.1.1B: Descriptive statistics of <i>industry</i> funds for two sub-periods, 2010–2014 and 2015–2016.....	92
Table A1.1.2A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>retail</i> funds for the period 2010–2014 .....	93
Table A1.1.2B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>retail</i> funds for the period 2015–2016 .....	94
Table A1.1.2C: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>industry</i> funds for the period between 2010–2014 .....	95
Table A1.1.2D: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>industry</i> funds for the period 2015–2016.....	96
Table A1.1.3A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds for the period 2010–2014.....	97
Table A1.1.3B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds for the period 2015–2016.....	98

Table A1.1.3C: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds for the period 2010–2014 .....	99
Table A1.1.3D: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds for the period 2015–2016 .....	100
Appendix A1.2 Alternate measure of performance for retail superannuation funds .....	101
Table A1.2.1A: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables of <i>retail</i> funds .....	101
Table A1.2.1B: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables of <i>retail</i> funds for the period 2010–2014 .....	102
Table A1.2.1C: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables of <i>retail</i> funds for the period 2015–2016 .....	103
Table A1.2.2A: Superannuation fund performance ( <i>ROA</i> ) and governance variables of <i>retail</i> funds .....	104
Table A1.2.2B: Superannuation fund performance ( <i>ROA</i> ) and governance variables of <i>retail</i> funds for the period 2010–2014 .....	105
Table A1.2.2C: Superannuation fund performance ( <i>ROA</i> ) and governance variables of <i>retail</i> funds for the period 2015–2016 .....	106
Table A1.2.3: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>retail</i> funds with interactions.....	107
Table A1.2.4A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index of <i>retail</i> funds .....	108
Table A1.2.4B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index of <i>retail</i> funds for the period 2010–2014.....	109
Table A1.2.4C: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index of <i>retail</i> funds for the period 2015–2016.....	110
Appendix A1.3 Alternate measure of performance for industry superannuation funds .....	111
Table A1.3.1A: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables of <i>industry</i> funds.....	111
Table A1.3.1B: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables of <i>industry</i> funds for the period 2010–2014.....	112
Table A1.3.1C: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables of <i>industry</i> funds for the period 2015–2016.....	113
Table A1.3.2A: Superannuation fund performance ( <i>ROA</i> ) and governance variables of <i>industry</i> funds .....	114



Table A1.3.2B: Superannuation fund performance ( <i>ROA</i> ) and governance variables of <i>industry</i> funds for the period 2010–2014 .....	115
Table A1.3.2C: Superannuation fund performance ( <i>ROA</i> ) and governance variables of <i>industry</i> funds for the period 2015–2016 .....	116
Table A1.3.3: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>industry</i> funds with interactions .....	117
Table A1.3.4A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index of <i>industry</i> funds.....	118
Table A1.3.4B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index of <i>industry</i> funds for the period 2010–2014 .....	119
Table A1.3.4C: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index of <i>industry</i> funds for the period 2015–2016 .....	120
Appendix A1.4 Alternate measure of performance for both retail and industry superannuation funds.....	121
Table A1.4.1A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables .....	121
Table A1.4.1B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables for the period 2010–2014 .....	122
Table A1.4.1C: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables for the period 2015–2016 .....	123
Table A1.4.2: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables with interactions .....	124
Table A1.4.3A: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables .....	125
Table A1.4.3B: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables for the period 2010–2014 .....	126
Table A1.4.3C: Superannuation fund performance ( <i>EXCESS_ROR</i> ) and governance variables for the period 2015–2016 .....	127
Table A1.4.4A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index. 128	
Table A1.4.4B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index for the period 2010–2014.....	129
Table A1.4.4C: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance index for the period 2015–2016.....	130
Appendix A2.1 Alternate measure of fees for retail superannuation fund .....	131

Table A2.1.1A: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds .....	131
Table A2.1.1B: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds for the period 2010–2014.....	132
Table A2.1.1C: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds for the period 2015–2016.....	133
Table A2.1.2A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO_MEMACC</i> ) and governance variables of <i>retail</i> funds .....	134
Table A2.1.2B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO_MEMACC</i> ) and governance variables of <i>retail</i> funds for the period 2010–2014 .....	135
Table A2.1.2C: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO_MEMACC</i> ) and governance variables of <i>retail</i> funds for the period 2015–2016 .....	136
Table A2.1.3: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds with interactions.....	137
Table A2.1.4A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index of <i>retail</i> funds .....	138
Table A2.1.4B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index of <i>retail</i> funds for the period 2010–2014 .....	139
Table A2.1.4C: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index of <i>retail</i> funds for the period 2015–2016 .....	140
Appendix A2.2 Alternate measure of fees for industry superannuation funds.....	141
Table A2.2.1A: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds.....	141
Table A2.2.1B: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds for the period 2010–2014 .....	142
Table A2.2.1C: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds for the period 2015–2016 .....	143
Table A2.2.2A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO_MEMACC</i> ) and governance variables of <i>industry</i> funds.....	144
Table A2.2.2B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO_MEMACC</i> ) and governance variables of <i>industry</i> funds for the period 2010–2014.....	145
Table A2.2.2C: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO_MEMACC</i> ) and governance variables of <i>industry</i> funds for the period 2015–2016.....	146
Table A2.2.3: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds with interactions .....	147

Table A2.2.4A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index of <i>industry</i> funds.....	148
Table A2.2.4B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index of <i>industry</i> funds for the period 2010–2014.....	149
Table A2.2.4C: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index of <i>industry</i> funds for the period 2015–2016.....	150
Appendix A2.3 Alternate measure of fees for both retail and industry superannuation fund fees .....	151
Table A2.3.1A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables .....	151
Table A2.3.1B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables for the period 2010–2014.....	152
Table A2.3.1C: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables for the period 2015–2016.....	153
Table A2.3.2A: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables.....	154
Table A2.3.2B: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables for the period 2010–2014.....	155
Table A2.3.2C: Superannuation fund fees ( <i>OP_EXP_RATIO</i> ) and governance variables for the period 2015–2016.....	156
Table A2.3.3A: Superannuation fund fees ( <i>EXCESS_OP_EXP_MEMACC</i> ) and governance variables .....	157
Table A2.3.3B: Superannuation fund fees ( <i>EXCESS_OP_EXP_MEMACC</i> ) and governance variables for the period 2010–2014.....	158
Table A2.3.3C: Superannuation fund fees ( <i>EXCESS_OP_EXP_MEMACC</i> ) and governance variables for the period 2015–2016.....	159
Table A2.3.4A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index .....	160
Table A2.3.4B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index for the period 2010–2014 .....	161
Table A2.3.4C: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance index for the period 2015–2016 .....	162
Appendix A3 Superannuation fund performance with asset allocation.....	164
Table A3.1A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>retail</i> funds for the period 2010–2013.....	164

Table A3.1B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>retail</i> funds for the period 2015-2016 .....	166
Table A3.2A: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>industry</i> funds for the period 2010–2013 .....	167
Table A3.2B: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>industry</i> funds for the period 2015-2016.....	168
Appendix A4 Superannuation fund fees with asset allocation .....	169
Table A4.1A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds with asset allocation for the period 2010–2013 .....	169
Table A4.1B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds with asset allocation for the period 2015–2016 .....	170
Table A4.2A: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds with asset allocation for the period 2010–2013.....	171
Table A4.2B: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>industry</i> funds with asset allocation for the period 2015–2016.....	172
Appendix A5 Trustee level .....	173
Table A5.1: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and governance variables of <i>retail</i> funds .....	173
Table A5.2: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and governance variables of <i>retail</i> funds .....	174
Appendix A6 Lagged governance variables .....	175
Table A6.1: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and lagged governance variables of <i>retail</i> funds.....	175
Table A6.2: Superannuation fund performance ( <i>EXCESS_ROA</i> ) and lagged governance variables of <i>industry</i> funds .....	176
Table A7.1: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and lagged governance variables of <i>retail</i> funds.....	177
Table A7.2: Superannuation fund fees ( <i>EXCESS_OP_EXP_RATIO</i> ) and lagged governance variables of <i>industry</i> funds .....	178
CHAPTER 3 TABLES .....	216
Table 1: Definition of variables .....	216
Table 2: Sample selection .....	217
Table 3 Panel A: Descriptive statistics of CIOs.....	218
Table 3 Panel B: Descriptive statistics of CIOs with and without cash bonuses.....	220

Table 4: Correlation matrix.....	222
Table 5 Panel A: Total compensation, <i>EXCESS_ROA</i> and governance practices.....	223
Table 5 Panel B: Cash bonus, <i>EXCESS_ROA</i> and governance practices .....	224
Table 5 Panel C: Salary, <i>EXCESS_ROA</i> and governance practices .....	225
Table 6 Panel A: Total compensation, <i>EXCESS_ROA</i> and each governance variable.....	226
Table 6 Panel B: Cash bonus, <i>EXCESS_ROA</i> and each governance variable .....	227
Table 6 Panel C: Salary, <i>EXCESS_ROA</i> and each governance variable .....	229
APPENDICES .....	231
Appendix A1 Alternative measures of performance .....	231
Table A1.1A: Total compensation, <i>ROA</i> and governance practices .....	231
Table A1.1B: Cash bonus, <i>ROA</i> and governance practices .....	232
Table A1.1C: Salary, <i>ROA</i> and governance practices.....	233
Table A1.1D: Total compensation, <i>ROA</i> and each governance variable .....	234
Table A1.1E: Cash bonus, <i>ROA</i> and each governance variable.....	235
Table A1.1F: Salary, <i>ROA</i> and each governance variable .....	236
Table A1.2A: Total compensation, <i>ROR</i> and governance practices .....	237
Table A1.2B: Cash bonus, <i>ROR</i> and governance practices .....	238
Table A1.2C: Salary, <i>ROR</i> and governance practices.....	239
Table A1.2D: Total compensation, <i>ROR</i> and each governance variable .....	240
Table A1.2E: Cash bonus, <i>ROR</i> and each governance variable.....	241
Table A1.2F: Salary, <i>ROR</i> and each governance variable .....	242
Table A1.3A: Total compensation, <i>EXCESS_ROA_lag</i> and governance practices .....	243
Table A1.3B: Cash bonus, <i>EXCESS_ROA_lag</i> and governance practices .....	244
Table A1.3C: Salary, <i>EXCESS_ROA_lag</i> and governance practices.....	245
Table A1.3D: Total compensation, <i>EXCESS_ROA_lag</i> and each governance variable .....	246
Table A1.3E: Cash bonus, <i>EXCESS_ROA_lag</i> and each governance variable .....	247
Table A1.3F: Salary, <i>EXCESS_ROA_lag</i> and each governance variable .....	248
Table A1.4A: Total compensation, <i>ROA_lag</i> and governance practices .....	249
Table A1.4B: Cash bonus, <i>ROA_lag</i> and governance practices .....	250
Table A1.4C: Salary, <i>ROA_lag</i> and governance practices.....	251
Table A1.4D: Total compensation, <i>ROA_lag</i> and each governance variable .....	252

Table A1.4E: Cash bonus, <i>ROA_lag</i> and each governance variable .....	253
Table A1.4F: Salary, <i>ROA_lag</i> and each governance variable .....	254
Table A1.5A: Total compensation, <i>EXCESS_ROA</i> and governance practices for each year .	255
Table A1.5B: Cash bonus, <i>EXCESS_ROA</i> and governance practices for each year .....	256
Table A1.5C: Salary, <i>EXCESS_ROA</i> and governance practices for each year .....	257
Table A1.6A: Total compensation, <i>EXCESS_ROA</i> and governance practices without fund size .....	258
Table A1.6B: Cash bonus, <i>EXCESS_ROA</i> and governance practices without fund size.....	259
Table A1.6C: Salary, <i>EXCESS_ROA</i> and governance practices without fund size .....	260
Table A1.7: Descriptive statistics between small and large industry funds.....	261
Table A1.8A: Total compensation, <i>EXCESS_ROA</i> and governance practices for small funds .....	263
Table A1.8B: Cash bonus, <i>EXCESS_ROA</i> and governance practices for small funds .....	264
Table A1.8C: Salary, <i>EXCESS_ROA</i> and governance practices for small funds .....	265
Table A1.9A: Total compensation, <i>EXCESS_ROA</i> and governance practices for large funds .....	266
Table A1.9B: Cash bonus, <i>EXCESS_ROA</i> and governance practices for large funds.....	267
Table A1.9C: Salary, <i>EXCESS_ROA</i> and governance practices for large funds .....	268
Appendix A2 Alternative measures of the governance index .....	269
Table A2.1A: Total compensation, <i>EXCESS_ROA</i> and governance practices .....	274
Table A2.1B: Cash bonus, <i>EXCESS_ROA</i> and governance practices .....	275
Table A2.1C: Salary, <i>EXCESS_ROA</i> and governance practices.....	276
Table A2.2A: Total compensation, <i>ROA</i> and governance practices .....	277
Table A2.2B: Cash bonus, <i>ROA</i> and governance practices .....	278
Table A2.2C: Salary, <i>ROA</i> and governance practices.....	279
Table A2.3A: Total compensation, <i>EXCESS_ROA</i> and governance practices .....	280
Table A2.3B: Cash bonus, <i>EXCESS_ROA</i> and governance practices .....	281
Table A2.3C: Salary, <i>EXCESS_ROA</i> and governance practices.....	282
Table A2.4A: Total compensation, <i>ROA</i> and governance practices .....	283
Table A2.4B: Cash bonus, <i>ROA</i> and governance practices .....	284
Table A2.4C: Salary, <i>ROA</i> and governance practices.....	285
Table A2.5A: Total compensation, <i>EXCESS_ROA</i> and governance practices .....	286

Table A2.5B: Cash bonus, <i>EXCESS_ROA</i> and governance practices .....	287
Table A2.5C: Salary, <i>EXCESS_ROA</i> and governance practices.....	288
Table A2.6A: Total compensation, <i>ROA</i> and governance practices .....	289
Table A2.6B: Cash bonus, <i>ROA</i> and governance practices .....	290
Table A2.6C: Salary, <i>ROA</i> and governance practices.....	291
Table A2.7A: Total compensation, <i>EXCESS_ROA</i> and governance practices .....	292
Table A2.7B: Cash bonus, <i>EXCESS_ROA</i> and governance practices .....	293
Table A2.7C: Salary, <i>EXCESS_ROA</i> and governance practices.....	294
Table A2.8A: Total compensation, <i>ROA</i> and governance practices .....	295
Table A2.8B: Cash bonus, <i>ROA</i> and governance practices .....	296
Table A2.8C: Salary, <i>ROA</i> and governance practices.....	297
Table A2.9A: Total compensation, <i>EXCESS_ROA</i> and governance practices .....	298
Table A2.9B: Cash bonus, <i>EXCESS_ROA</i> and governance practices .....	299
Table A2.9C: Salary, <i>EXCESS_ROA</i> and governance practices.....	300
Table A2.10A: Total compensation, <i>ROA</i> and governance practices .....	301
Table A2.10B: Cash bonus, <i>ROA</i> and governance practices .....	302
Table A2.10C: Salary, <i>ROA</i> and governance practices.....	303
Table A2.11A: Total compensation, <i>EXCESS_ROA</i> and governance practices .....	304
Table A2.11B: Cash bonus, <i>EXCESS_ROA</i> and governance practices .....	305
Table A2.11C: Salary, <i>EXCESS_ROA</i> and governance practices.....	306
Table A2.12A: Total compensation, <i>ROA</i> and governance practices .....	307
Table A2.12B: Cash bonus, <i>ROA</i> and governance practices .....	308
Table A2.12C: Salary, <i>ROA</i> and governance practices.....	309
Appendix A3 Including asset allocations .....	310
Table A3.1A: Total compensation, <i>EXCESS_ROA</i> , governance practices and asset allocations .....	310
Table A3.1B: Cash bonus compensation, <i>EXCESS_ROA</i> , governance practices and asset allocations.....	311
Table A3.1C: Salary compensation, <i>EXCESS_ROA</i> , governance practices and asset allocations .....	312
Table A3.2A: Total compensation, <i>ROA</i> , governance practices and asset allocations.....	313
Table A3.2B: Cash bonus compensation, <i>ROA</i> , governance practices and asset allocations .	314

Table A3.2C: Salary compensation, <i>ROA</i> , governance practices and asset allocations .....	315
Appendix A4 CIO turnover .....	316
Table A4.1A: CIO turnover, <i>EXCESS_ROA</i> and governance practices .....	316
Table A4.1B: CIO turnover, <i>EXCESS_ROA</i> and each governance variable .....	317
Table A4.2A: CIO turnover, <i>ROA</i> and governance practices .....	318
Table A4.2B: CIO turnover, <i>ROA</i> and each governance variable .....	319



## LIST OF ABBREVIATIONS

2SLS	Two-Stage least squares
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CAPM	Capital Asset Pricing Model
CEOs	Chief Executive Officers
CIOs	Chief Investment Officers
GDP	Gross Domestic Product
OLS	Ordinary least squares
ROA	Return on assets
ROE	Return on equity
ROR	Rate of return
RSE	Registrable Superannuation Entities
SOX	Sarbanes-Oxley Act
The <i>SIS Act 1993</i>	the <i>Superannuation Industry (Supervision) Act 1993 (Cth)</i>
VIF	Variance inflation factor

## ABSTRACT

This thesis examines the effect of governance practices of Australian superannuation funds on performance, fees and executive compensation. Based on governance practices discussed, and recommendations provided by the Cooper Review (2010) and the Murray Inquiry (2014), this thesis develops a governance index to capture the governance quality of Australian superannuation funds. This study presents two main findings. First, the results on the association between governance practices, performance and fees of retail and industry superannuation funds show that better governance practices are positively associated with retail fund performance. In contrast, the findings show no evidence that better governance practices are associated with performance and fees of industry funds. However, some individual governance variables, such as busy directors and directors with financial qualifications and prior superannuation fund experience, enhance the outcomes of retail superannuation funds. Further, busy directors, independent directors and an independent chairperson enhance the outcomes of industry superannuation funds. Second, when examining Chief Investment Officers (CIOs) pay and their pay-performance relationship in industry superannuation funds, the results show that CIO pay is positively associated with fund performance while better governance practices do not strengthen the pay-performance relationship of CIOs. However, some individual governance variables, such as longer-tenured directors, are positively associated with, and directors with financial qualifications are negatively associated with the pay-performance relationship of CIOs. Overall, the results contribute to prior literature on the governance arrangements and the pay-performance relationship of Australian superannuation funds. Moreover, the results have implications for regulators and policy-makers and provide empirical evidence on the impact of governance practices recommended by the reviews. The results suggest that governance practices are different between retail and industry superannuation funds; therefore, a one size “fits-all” governance approach may be inappropriate.